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C O N F I D E N T I A L SECTION 01 OF 02 CARACAS 000014

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SUBJECT: CHAVEZ RESHUFFLES CABINET BUT KEEPS LOYALISTS CLOSE

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Classified By: POLITICAL COUNSELOR ROBERT R. DOWNES
FOR REASON 1.4 (D)

11. (C) Summary. During a call-in to Venezolana de Television (VTV) on January 3 President Chavez announced the first of a series of thirteen cabinet changes. Chavez replaced former Vice President Jorge Rodriguez, Telecommunications Minister Jesse Chacon, and Communications Minister William Lara with loyalists currently working in the government. Chacon will head the Office of the Presidency. Separately, Finance Minister Rodrigo Cabezas apparently resigned to run for the governorship of Zulia. In his new capacity Chacon announced January 4 that Ramon Rodriguez Chacin will return as Minister of Interior and Justice and made public other ministerial changes. The dearth of new blood implies Chavez intends to maintain control over the government and press-on with his "Bolivarian" agenda. End Summary.

VP Rodriguez Replaced

12. (SBU) During another of his now customary telephone interviews with state-owned television network Venezolana de Television, VTV, President Chavez announced the first of a series of cabinet changes the evening of January 3. Chavez said he plans to replace 13 ministers, but only provided details on a fraction of those changes. Not surprisingly, Chavez fired Jorge Rodriguez, former Vice President, coordinator of the United Socialist Party of Venezuela (PSUV), and of the failed "Yes" referendum vote. Following Chavez's December 2 defeat at the polls there was widespread speculation that Rodriguez would be promptly removed in Chavez's next cabinet shake-up. In a puzzling move, however, Chavez kept Rodriguez at the helm of the PSUV, whose founding congress is scheduled for January 12. Ramon Carrizalez, a Chavez loyalist and retired Army Colonel, who served as Housing Minister, replaces Rodriguez. The local press reported that Chavez could swear-in Carrizalez as early as January 4. He will be Chavez's sixth vice president.

Chavez Shakes Up Cabinet,

13. (C) One of the most interesting of the moves involves Jesse Chacon, former Telecommunications Minister and head of CONATEL, the agency charged with shutting down Venezuela's oldest television network Radio Caracas Television (RCTV) in May 2007. He remains a close ally of Chavez in his new

position as head of the Office of the Presidency, where he replaces Erika Farias. Chacon is widely said to be extremely corrupt. (Note: Chacon's visa was revoked in 2007 for his participation in the November 1992 coup. End Note). Socorro Hernandez, the president of the government-owned telecommunications company, CANTV, replaces Chacon.

¶4. (SBU) Outgoing Minister of Communications William Lara will be replaced by Andres Izarra, president of the state-affiliated regional news network Telesur. Izarra served as Telecommunications Minister from 2005 to 2006. Chavez did not announce whether Lara will assume another government position.

¶5. (SBU) The twenty-three year-old Erika Farias was tapped as Minister of Participation and Social Protection. Despite corruption charges, Farias was appointed to head the Office of the Presidency in November 2007, a position she held for about a month. Jorge Perez Prado has replaced Carrizalez as Housing Minister. Perez was formally the President of the National Housing Institute (NHI) and is an active duty Army Lieutenant Colonel. Perez is the only Chavez appointee thus far who has not served previously as a minister in his cabinet.

¶6. (C) Separately, Finance Minister Rodrigo Cabezas apparently resigned January 4 and indicated he will run for the governorship of Zulia state. Some analysts had predicted that Cabezas would likely be ousted, particularly for his inability to curb soaring inflation rates, but also because he has privately been at odds with some of Chavez's financial policies. (Note: The local media widely reported January 3 that inflation reached 22.5 percent in 2007, the highest in the region, and well above the government's 12 percent inflation target for the year. End Note).

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Heads Roll

¶7. (SBU) In his new capacity Chacon announced January 4 more of Chavez's cabinet changes. One noteworthy appointment is that of Ramon Rodriguez Chacin, who was Chavez' designated FARC-hostage release negotiator. Rodriguez Chacin returns as Minister of Interior and Justice (MIJ), a position he held in ¶2002. It was widely speculated that former MIJ minister Pedro Carreno would be cut because of growing crime and insecurity rates. According to recent polls, the majority of Venezuelans cited insecurity as their biggest concern in ¶2007.

¶8. (SBU) Chacon announced that Rafael Isea will replace Cabezas and lead the Finance Ministry. Isea is currently the Vice Minister for Endogenous Development at the Ministry of Finance. He had been head of the Banes government development bank since January 2007.

¶9. (C) The removal of Jorge Giordani, the now former Minister for Planning and Development, is also a significant change. Giordani, a strict Marxist, has been with Chavez since his rise to power, and is widely viewed as the architect of the government's economic policies. A contact told Econoff January 4 that Giordani has been asking Chavez to accept his resignation on account of the illness and subsequent death of his wife in late 2007. Replacing Giordani is Haiman El Troudi Douwara, a systems engineer and university professor, who headed the Office of the Presidency.

¶10. (SBU) Rodolfo Sanz replaces Jose Khan as Minister of Basic Industry and Mining. Sanz served as Vice Minister for Latin America at the Ministry of Foreign Affairs. Felix Osorio Guzman will lead the Ministry of Food and Mercal, the government-supported discount supermarkets. Meanwhile, Victoria Mata was appointed to head the Ministry of Sports

and replaces Eduardo Alvarez.

Comment

¶11. (C) Overall, there were no major surprises in Chavez's announcement as the appointees have previously held high-level positions and are close allies of the Venezuelan president. While Chavez's decision to replace Rodriguez comes as no surprise, it appears counterintuitive to keep Rodriguez at the wheel of the PSUV after Chavez publicly expressed disappointment over the party's inability to get out the "Yes" vote. The lack of new faces in the reshuffle indicates Chavez plans to maintain firm control over his "Bolivarian" agenda. It is unlikely that these appointments will inject new life into Chavez's self-styled "revolution."

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